

One Confirmed Case of BSE in Canada Causes Major Disruption in Trade

On May 20, 2003 a single case of BSE in Canada prompted the United States to close the border to Canadian ruminant products and, at the same time, Japan and Korea threatened to impose restrictions on U.S. beef exports. Later, USDA successfully negotiated continued market access in a number of the United States' top export markets and has re-opened the border for trade through a partial resumption of certain beef imports from Canada. The uncertainties resulting from the BSE case contributed to record high U.S. prices for beef and live cattle in the latter part of 2003. U.S. cattle supplies were already tight as liquidation continued due to drought and poor forage conditions in parts of the country. This, in conjunction with the lack of imports of live cattle for slaughter and beef imports from Canada, has dramatically driven up prices. Live cattle, boxed beef and retail prices have reached record highs during this period.

In response to the May 20 Canadian government announcement of a detection of BSE, the United States and other countries banned all beef and cattle imports from Canada. Japan, the United States' largest beef export market at over \$1 billion in 2002, further indicated that it would impose new restrictions on beef imports, including those from the United States. Following intensive negotiations, USDA and Japan's Ministry of Agriculture, Forestry and Fisheries (MAFF), came to an understanding on the requirements that Japan would apply to U.S. exports of beef and beef products. In late August, the Agricultural Marketing Service in USDA implemented the Beef Export Verification (BEV) program, which provides participating U.S. beef packers and processors the means to satisfy the new requirements. Korea and a handful of other countries that had expressed concerns similar to Japan have been satisfied with modifications to FSIS' export certificate and have not required BEV program participation.

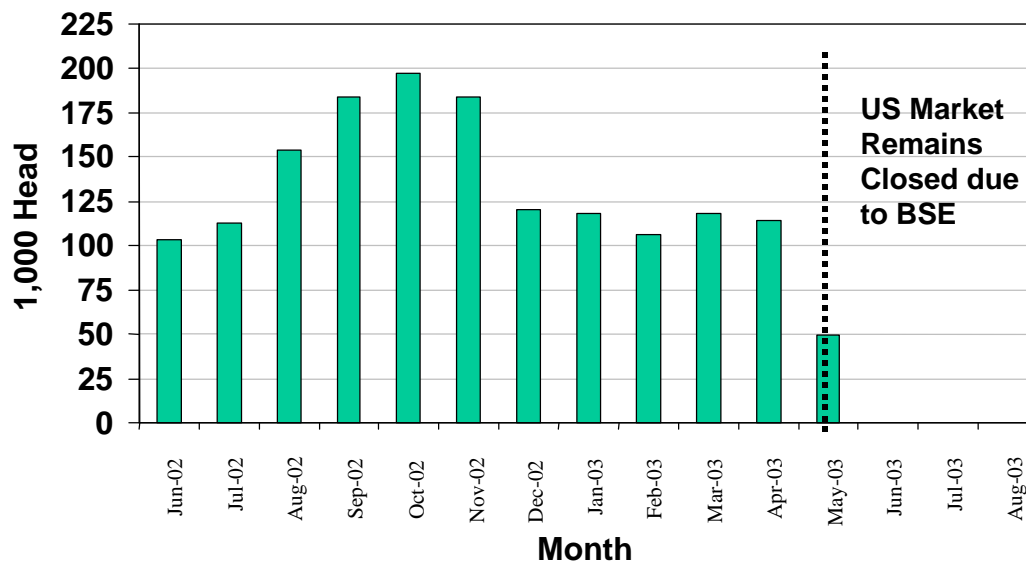
In early September 2003, the first shipments of Canadian beef entered the United States under the import permit system established by APHIS. In August and September, APHIS issued 299 import permits only for certain ruminant products: boneless beef from cattle younger than 30 months, veal and liver (to see a list of all products go to: http://www.aphis.usda.gov/lpa/issues/bse/bse-canada_memo.html). As of October 1, imports from Canada for these products are below pre-BSE levels, however, imports are slowly increasing as Canadian slaughter plants separate processing of cattle older and younger than 30 months for export. In 2002, the total U.S. imports of Canadian beef, bovine products and live cattle were valued at \$1.2 billion.

Imports of Canadian live cattle as well as ruminant products not specifically identified by APHIS remain prohibited. The rulemaking process to determine whether, when and under what conditions live cattle trade resumes is being developed, but no time frame for re-opening the border can be predicted. Prior to the BSE incident, approximately 120,000 live cattle per month crossed the border into the United States. In the long run, many Canadian animals will be ineligible for export either live or as beef. Canada is struggling with the backlog of cull cattle; producers contend that there are 350,000 such animals to be culled. Canada's earlier decision to suspend supplementary imports of non-

NAFTA beef has already helped increase the market for domestic cow beef. The Canadian Cattlemen's Association asked for additional direct aid, approximately \$146 million, which was subsequently denied by the Canadian government.

In September, the Office of International Epizootics (OIE), the international body for animal health, initiated a dialogue on BSE and the safe trade in animals and animal products. The United States, Canada and Mexico requested that the OIE sponsor this dialogue with a view to establishing science-based, risk mitigation measures so that countries will have the confidence to trade in animals and animal products in spite of the possibility of isolated cases of BSE in the future.

U.S. Imports of Canadian Live Cattle June 2002 to Date



Source: Department of Commerce, U.S. Census Bureau, Foreign Trade Statistics.

U.S. Beef and Cattle Prices

